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COPY NO. 72

OCI NO. 0438/62

12 October 1962

# CURRENT INTELLIGENCE WEEKLY SUMMARY



CENTRAL INTELLIGENCE AGENCY

OFFICE OF CURRENT INTELLIGENCE

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38-228503

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

12 October 1962

**T H E   W E E K   I N   B R I E F**  
 (Information as of 1200 EDT 11 Oct)

**SOVIET FOREIGN POLICY DEVELOPMENTS . . . . . Page 1**

Communist pronouncements last week provided further evidence that Moscow plans no further major moves on Berlin or a peace treaty prior to another round of negotiations with the US. Soviet and East German leaders again made it clear that they would resort to unilateral action only if it proved impossible to reach agreement with the West. This relatively restrained approach probably is intended to pave the way for Khrushchev to attend the UN General Assembly and talk with President Kennedy.

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**SINO-SOVIET RELATIONS CONTINUE TO DETERIORATE . . . . . Page 3**

The USSR, in a "new document" purporting to be a recently discovered draft of an article by Lenin, has renewed its attack on the Chinese Communist leadership. Concerned about the appeal of Moscow's arguments to susceptible elements in China, Peiping has warned of the vulnerability of such elements to purge. Peiping's anxiety about Soviet capabilities for subversive activity is also reflected in the closing of Soviet consulates in China and in measures to expedite the emigration of White Russians from border areas.

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**TIGHTER FOOD SUPPLY IN EUROPEAN SATELLITES INDICATED . . . Page 5**

This winter's food supply in Eastern Europe is expected to be even worse than last year's. The grain harvest just completed, the smallest in five years, is estimated at 7 percent below the average of 1956-60. Unsatisfactory grain harvests in the rest of the bloc and inadequate satellite holdings of foreign exchange will make it difficult to fulfill grain requirements through imports.

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**THE YUGOSLAV-SOVIET RAPPROCHEMENT . . . . . Page 7**

Soviet president Brezhnev's visit to Yugoslavia completed the normalization of state relations between Belgrade and Moscow and laid the foundation for efforts to restore party ties. Moscow expects the European satellites to follow suit, even though this will pose problems for the more conservative regimes and tend to sharpen existing differences among the satellites. Yugoslavia has apparently been given a free hand for subverting the Hoxha regime in Albania, but has avoided committing itself on a number of issues of importance to Moscow and seems determined to maintain its independent position.

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**BRIEFS**

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**EUROPEAN INTEGRATION DEVELOPMENTS . . . . . Page 10**

As the UK-EEC talks resume in Brussels, most of the Six are sympathetic to Macmillan's domestic political need to wind up the talks quickly. Hard bargaining is likely nonetheless over the key problems posed by Britain's efforts to ease Commonwealth pressures, by its commitments to its EFTA (Outer Seven) partners, and by its reservations concerning certain aspects of the EEC's farm policy. While French proposals for closer Bonn-Paris ties have strengthened the determination of the smaller EEC countries to obtain Britain's membership, none of them seems willing to make major concessions to Britain. There is growing concern in the EEC lest the economic and political community become so large as to be unworkable.

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**THE MRBM ISSUE IN NATO . . . . . Page 11**

The NATO countries remain divided in their approach to the question of creating a multilateral medium-range ballistic missile (MRBM) force. Some members favor such a force as the most feasible way to give the Europeans a greater share in the nuclear defense of NATO, while discouraging the proliferation of independent nuclear capabilities, especially in the case of Germany. Others object to the idea on both military and political grounds.

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**FRENCH POLITICAL SCENE . . . . . Page 12**

Leaders of the political parties which toppled the Pompidou government on 5 October admit they have little chance of defeating De Gaulle's proposed constitutional amendment in the referendum on 28 October. They believe, however, that they will be able to cut the representation of the Gaullist Union for the New Republic (UNR) in the National Assembly election to be held on 18 and 25 November. The outcome of both votes will depend on the degree to which De Gaulle participates in the campaigning. In the past he has made strong appeals for support in referendums but has been unwilling to identify himself with a single political faction.

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**DEVELOPMENTS IN YEMEN EMBROIL NEAR EAST. . . . . Page 13**

The battle for Yemen has become a key phase of the larger contest in the Arab world between Nasir's radical, Arab nationalist doctrine and the conservatism of other governments--especially the Saudi and Jordanian monarchies. For Nasir, whose prestige has been at a low ebb, the Yemeni revolution represents a major victory. He appears determined to provide as much direct military support as may be required to preserve it.

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**BRIEFS**

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**INDIAN-NEPALI RELATIONS WORSEN . . . . . Page 16**

Relations between India and Nepal have taken a new turn for the worse, following the failure of King Mahendra's "last effort" to get New Delhi to take measures against the India-based Nepali exile movement. India's reaction to Mahendra's adoption of a harder line has been restrained. Its patience is apt to wear thin, however, if the King's policies result in a significant expansion of Chinese influence in Nepal. [REDACTED]

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**DEVELOPMENTS IN LAOS . . . . . Page 17**

Substantial numbers of North Vietnamese troops remain in Laos in support of the Pathet Lao following the 7 October withdrawal deadline. Souvanna has called for the withdrawal "as soon as possible" of remaining foreign troops. The National Assembly on 8 October granted full powers to the coalition government for the period of one year; the Pathet Lao, which denies the legitimacy of the assembly, has strongly criticized this action. [REDACTED]

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**SITUATION IN THE CONGO . . . . . Page 17**

Tshombé now says he will take several specific steps to implement parts of the UN reconciliation plan without prior agreement on a constitution. He also indicated, however, that he will continue to insist on a loose federal constitution and will resist a 50-50 split of Katanga's revenues and foreign exchange. Adoula remains extremely skeptical that Tshombé will in fact comply, and is again threatening to act independently outside the UN framework. The newly arrived Soviet ambassador has renewed previous offers to Leopoldville of Soviet economic assistance [REDACTED]

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**CUBAN DEVELOPMENTS . . . . . Page 19**

The identification of five more SA-2 surface-to-air missile (SAM) sites under construction in Cuba raises the total of such sites to twenty. This almost completes the air defense coverage of the island. Construction has begun at Banes in Oriente Province on what may become an important new Cuban naval facility. [REDACTED]

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**VENEZUELAN GOVERNMENT MOVES TO QUELL COMMUNIST VIOLENCE. . Page 21**

The Venezuelan Government has followed up suspension of constitutional guarantees on 7 October with further strong action to curtail the current upsurge of Communist violence. The terrorism is apparently part of a campaign to embarrass the administration, weaken public confidence, and possibly provoke a military coup. President Betancourt remains under heavy pressure from the military to arrest Communist national deputies implicated in the antigovernment violence. [REDACTED]

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**CHILEAN CURRENCY DEVALUATION IMMINENT. . . . . Page 22**

Devaluation of the escudo probably will be announced on or soon after 15 October. The move was recommended by the International Monetary Fund last January, but President Alessandri has delayed action because adverse political repercussions might destroy the administration's shaky congressional majority. [REDACTED]

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**SPECIAL ARTICLES****INSURGENCY IN LATIN AMERICA . . . . . Page 1**

Insurgency is increasing in several Latin American countries. Communist or pro-Communist groups in Colombia, Paraguay, and Venezuela are actively engaged in campaigns to undermine the governments and eventually to bring about Castro-type revolutions. Ultrationalist organizations--some with Communist support--are trying to merge extremist elements in Guatemala and Nicaragua into unified movements capable of prolonged antigovernment operations. Extremist groups in other countries are seeking to capitalize on unstable political conditions to initiate insurgency movements. While insurgency does not pose an immediate threat to any Latin American government, sabotage, terrorism, and arms procurement raids will probably increase as the Communists and other subversive groups step up preparations for guerrilla operations. [REDACTED]

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**FRANCE'S OVERSEAS DEPARTMENTS . . . . . Page 8**

Popular expectation of early autonomy is mounting in the most important of France's remaining overseas holdings--the Caribbean island departments of Guadeloupe and Martinique. The economic dependence on France of these territories and of the other two overseas departments--Guiana and Reunion--has forestalled demands for complete independence. However, local leaders criticize Paris' failure to solve their economic problems and complain about its tight control over French Government assistance funds and local taxes. [REDACTED]

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**WEEKLY REVIEW**SOVIET FOREIGN POLICY DEVELOPMENTS**

Communist pronouncements last week provided further evidence that Moscow plans no further major moves on Berlin or a peace treaty prior to another round of negotiations with the US. Soviet and East German leaders again made it clear that they would resort to unilateral action only if it proved impossible to reach agreement with the West. This relatively restrained approach and Gromyko's cautious line in his talks with Lord Home and Secretary Rusk also suggest that any new Soviet proposals on Berlin and Germany will be withheld until Khrushchev can put them forward personally at the UN or in talks with President Kennedy.

Greetings from Khrushchev and Brezhnev to the East German leaders on the occasion of the 17th anniversary of the East German regime reiterated the standard formula that "threats of the imperialists" will not prevent the signing of a German peace treaty and "normalization" of the Berlin situation. In a speech at a GDR Embassy reception in Moscow, however, Kozlov emphasized the USSR's desire for an "agreed solution" which would not harm "anybody's interests or claims." He asserted that if the West does not show a "realistic approach" and continues to reject a settlement, the USSR and other states will sign a separate treaty with the GDR.

A 7 October Pravda editorial on the GDR anniversary pointed out that the USSR is displaying great patience in its efforts

to persuade the West to sign a treaty with both German states, but warned that "patience has its limits" and repeated the standard separate treaty threat.

The most striking evidence of Moscow's intention to maintain a low-risk policy on Berlin while pursuing further negotiations was the line Ulbricht took in his report to the East German party central committee, which met from 3 to 5 October. Ulbricht appeared to be conditioning party and public opinion to the idea that further East-West negotiations may be protracted and that no early signature of a separate peace treaty should be expected.

Although Ulbricht repeated the formula that the treaty would be signed if the West is unwilling to agree to a German settlement, he avoided any sense of imminent crisis and placed the whole question in the context of the growing superiority of the Communist camp and increasing support in the West for Soviet and GDR proposals. Ulbricht stated flatly that "negotiations between the Soviet Union and the US will be continued after the US elections" and professed to see a hopeful sign in "new ideas" and "tendencies for a change in tactics" emerging in West Germany.

While the bloc leaders apparently intend to pursue a cautious course of action on Berlin, they may still hope to register additional gains underlining GDR "sovereignty" by the time the long-overdue East German party congress meets from 15 to 19 January 1963.

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**Local Berlin Developments

The East German refusal to permit a British military ambulance to enter East Berlin on 6 October to assist a West Berliner wounded by GDR police at the opening of an escape tunnel appears to have been dictated primarily by prestige considerations. It probably was not intended as a challenge to Allied access rights, although the episode could provide the East Germans with a useful precedent for future attempts to curtail or prohibit Allied military entry into East Berlin.

East German preoccupation with the prestige aspect of the incident was reflected in the remark of a GDR officer to British authorities that the East Germans hold themselves responsible for rendering medical aid in such circumstances. Although the East Germans later permitted the British provost marshal to enter East Berlin, they kept him 100 yards away from the scene of the shooting. British military police and US patrols also entered East Berlin but were barred from the area by restriction signs and police blocks.

The tunnel, through which some 40 East Berliners had hoped to escape, was later cemented shut by East German police.

UN - Nuclear Testing

The USSR last week withdrew the demand that its item on preventive war propaganda be taken up as the first item

on the UN political committee's agenda and agreed that the test ban item should be given priority. A member of the Soviet UN delegation told a US official on 4 October that the Soviets would "fight" for discussion of agenda items in this order: (1) nuclear testing; (2) disarmament; (3) war propaganda; (4) ban-the-bomb replies; (5) Korea; (6) outer space.

He emphasized that the Soviets attach great importance to the war propaganda item and will insist that it be discussed separately rather than in conjunction with disarmament. He indicated that the Soviets intend to return to the Geneva disarmament conference at the conclusion of the current recess.

He hedged when asked whether the Soviet delegation would return to Geneva if the war propaganda debate is not concluded by 12 November, the date the conference is scheduled to reconvene. He did say, however, that the Soviets were willing to have brief debates on the test and disarmament items so that the return to Geneva would not be delayed.

In Geneva, the Soviet delegate to the Big Three test ban subcommittee has held fast to his intransigent position. He told the US and British delegates "not to expect anything new from us."

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****SINO-SOVIET RELATIONS CONTINUE TO DETERIORATE**

The closing of the last two Soviet consulates in China is the latest illustration of the steady deterioration in governmental relations resulting from the Sino-Soviet controversy over party doctrine.

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[redacted]  
the consulates were closed at Peiping's request. The Soviet Embassy in Moscow has tried to put a better face on the matter by depicting the closing as an economy measure. It is possible that the Chinese, taking a leaf from their treatment of US consuls in China during 1949 and 1950, conducted such a campaign of harassment that the USSR decided it had no recourse but to shut down the consulates.

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version that could not be ignored in the context of the growing estrangement between the two countries. In this connection, the Chinese could have recalled the subversive activity fostered by Soviet consulates in Sinkiang during the 1940s.

In its anxiety to diminish the Russian presence in China, Peiping appears to be expediting the emigration of White Russians, whom the Chinese regard as a suspect segment of the population. Well over 400 White Russians arrived in Hong Kong in September. This total compared with figures of about 170 in August and of only 50 or so per month earlier in the year.

Peiping's concerns about security have apparently led to increases in the contingent of border guards along the Soviet frontier, at least near Manchouli. [redacted]

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The Chinese pressures against the consulates may have reflected Peiping's view that they provided bases for sub-

These measures to tighten state security have been accompanied by allusions in recent Chinese propaganda to "revisionist" efforts to subvert members of the Chinese Communist Party. A sign that these efforts may be continuing was provided by the publication in Pravda on

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28 September of a "new document" purporting to be a decipherment of a hitherto missing Lenin draft. The Soviets claim that the document is an earlier version of certain chapters of Lenin's report on "The Immediate Tasks of Soviet Rule," which he had presented at the April 1918 session of the highest governmental body in Russia at that time.

The "new document" was offered by Pravda as a rebuttal to Chinese jeers at Soviet "economism"--i.e., an excessive concern for economic development, with a consequent refusal to wage the struggle against the West with sufficient militancy. Lenin was represented as affirming that political tasks are subordinate to economic tasks after a Communist party has come to power. "Agitators," according to Lenin's newly discovered precepts, were useful mainly for the tasks of seizing power; later and more complex economic tasks were said to require "practical leaders and organizers." The implication that Communist China should borrow from the experience of the USSR was contained in Lenin's alleged observation about learning from the "neigh-

boring and very much more developed countries."

The "new document" thus invokes Lenin in support of Khrushchev's long-standing condemnation of the extremist economic programs promoted by Mao and his associates against the objections of more realistic sections of the party. The Chinese leaders are obviously sensitive about such appeals by Moscow to susceptible elements in China. Recent Chinese statements ominously suggest the vulnerability of such elements in any new party purge.

For those who might have questions about the presence of these unreliaables in the armed forces, Communist China's chief of staff included some pointed remarks in a speech on 6 October. He "expressed the hope," according to the Chinese Communist news agency, that the army would be the agent of further victories "in the defense of the party central committee and Chairman Mao." He exhorted the armed forces to heightened vigilance against the country's enemies "no matter who they are."

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****TIGHTER FOOD SUPPLY IN EUROPEAN SATELLITES INDICATED**

This winter's food supply in Eastern Europe is expected to be even worse than last year's. The grain harvest just completed, the smallest in five years, is estimated at 7 percent below the average of 1956-60. Unsatisfactory grain harvests in the rest of the bloc and inadequate satellite holdings of foreign exchange will make it difficult to fulfill grain requirements through imports.

Throughout the 1962 crop season Eastern Europe was plagued with unfavorable weather. A late, cold spring throughout the area was followed by a summer drought in the southern satellites and by excessive rain and cool weather in the north. Yields per acre dropped, and the area of grain harvested was smaller than in 1961.

In East Germany, Czechoslovakia, and Hungary, the decline in grain acreage resulted from problems created by collectivization. Inefficient management of large state and collective farms accentuated the effects of a farm labor shortage at peak farm operations. A slight decline (2 percent) in grain acreage in Poland resulted from a government price policy that favored industrial crops.

It is estimated that, of the northern satellites, only East Germany increased grain production over 1961--a below-average year. Even so, production in East Germany remained below the 1956-60 average for the second successive year, and the quality was poorer because of too much rain and too few harvest hands.

Polish production dropped by nearly 10 percent from 1961 to approximately the 1956-60 average level; Czechoslovakia registered a decline of about 5 percent. In both countries, however, the quality of the grain for milling is better than in 1961.

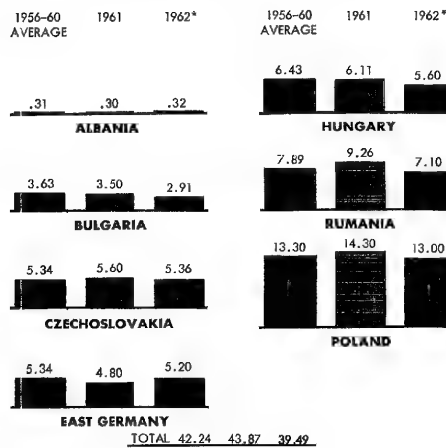
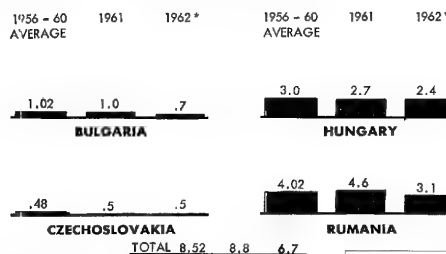
The southern satellites experienced a larger drop in grain production than the northern satellites. Small grain production declined from 1961, but the decrease was less than for corn. Corn production in 1962 is

**GRAIN PRODUCTION IN EUROPEAN SATELLITES**

(ESTIMATES IN MILLION METRIC TONS)

**TOTAL PRODUCTION**

WHEAT, RYE, BARLEY, OATS, AND CORN

**CORN PRODUCTION**

\*PRELIMINARY ESTIMATE

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estimated to be nearly 30 percent below the 1956-60 average and was the smallest crop harvested in the Balkans since 1956. Limited information indicates that Albania had an average grain harvest.

The European satellite area will remain a large importer of grain in 1962-63. Imports from all sources, however, are unlikely to be sufficient to satisfy demands for both food and livestock feed in most satellites. The many demands on limited holdings of foreign exchange probably will restrict purchases of grain from the West. As a result government efforts will be aimed at procuring maximum amounts of grain from the countryside to guarantee the urban bread supply. This effort, if successful, will intensify shortages of feed grain and in some of the southern satellites

will create shortages of grain for food in rural areas.

For the second successive year, no basic improvement is estimated in the per capita availability of food. Shortages of meat and dairy products are expected to become more widespread by spring. Even Poland, one of the best-fed countries in the bloc last year, may not be exempt if Polish exports of livestock products continue at the high level of the past year.

Rationing of certain foods by price, consumer lists, and/or coupons was introduced during the first half of 1962 in East Germany, Rumania, and Bulgaria. Other satellites may find it necessary to introduce similar measures before the next harvest in an effort to distribute food supplies more equitably. 25X1

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### THE YUGOSLAV-SOVIET RAPPROCHEMENT

Soviet president Brezhnev's visit to Yugoslavia from 24 September to 4 October completed the normalization of state relations between Belgrade and Moscow and laid the foundation for further explorations to find an acceptable formula for party ties.

The USSR appears ready again to restore Yugoslavia to a favored position in the Communist world. This was made evident by specific reference in the 3 October communiqué to the Tito-Khrushchev declaration of June 1955. This declaration, signed after Khrushchev apologized in Belgrade for Stalin's past actions, outlined areas for future cooperation, outlawed hostile actions, and in effect recognized Yugoslavia's separate road to "socialism."

The Tito-Brezhnev communiqué's emphasis on expanded economic cooperation would seem to foreshadow Soviet credits and Yugoslav participation in some committees of the bloc's economic organization (CEMA).

Trade is scheduled to increase substantially. Belgrade has charged in the past that Moscow refused to buy what Yugoslavia wanted to sell or to sell Yugoslavia the goods it wanted. As a result trade declined in 1961, and the agreed levels of exchange were not attained; this apparently will be true again this year. The 1963 protocol signed on 4 October, however, sets trade at more than double that estimated for this year.

During the Brezhnev visit agreement also seems to have been reached on a program for a broader exchange of information between the countries. This concession by the USSR will meet a long-standing complaint of Yugoslavia, which has wanted to establish a reading room in Moscow. On 6 October the director of the official Yugoslav news agency left for Moscow to meet with his TASS counterpart and on 10 October signed an agreement extending cooperation between the two news services.

#### Foreign Policies

On foreign policy the communiqué cited an "identity or proximity" of view and detailed areas of agreement. It endorsed Soviet stands on disarmament and nuclear testing and went on to agree to the specific ways by which Moscow advocates their realization.

At the same time, it drew up short of agreeing completely on several issues of importance to Moscow. It stated in regard to Germany, for example, only that the two states recognized the need to sign a German treaty taking into account the existence of two Germanys. In speeches during his visit, Brezhnev had implied that Yugoslavia favors signing a separate peace treaty with the East Germans if an all-German accord cannot be negotiated.

In regard to Yugoslavia's close association with the non-aligned states, the communiqué endorsed the proposal for an international trade conference advanced by last July's Cairo Economic Conference of Developing States--a Yugoslav brain child. By doing so Moscow tacitly recognized Yugoslavia's leading position among these states and identified itself with their aspirations.

#### Concern for the West

Indicative of Belgrade's sensitivity to possible misunderstanding in the West, the Yugoslav chief of protocol called Ambassador Kennan on 5 October to express regrets over Brezhnev's attacks on the US and NATO. At the UN, a Yugoslav diplomat told US representatives that Yugoslavia had resisted strong pressure to sponsor with the Soviets a resolution advocating establishment of a world trade organization.

#### Yugoslavia and the Satellites

The Brezhnev communiqué suggested that Moscow expects the satellites also to repair their political relations with Yugoslavia, even though this will pose problems for the more conservative regimes and tend to

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sharpen existing differences among the satellites. In addition to citing the 1955 declaration, the specific statement was made that the USSR "supports the policy of Yugoslavia...aimed at strengthening peace in the Balkans and promoting international cooperation."

There are indications that, even prior to the Brezhnev visit, Moscow had been urging the satellites to expand their economic relations with Belgrade. A Bulgarian trade delegation, headed by a deputy premier, arrived in Belgrade on 5 October to negotiate a three-year trade agreement similar to one signed by the Yugoslavs and Soviets in July. Initial trade negotiations have begun with Czechoslovakia.

Poland, which some months ago moved to improve trade within the context of existing agreements, opened talks with Belgrade on a 1963 protocol on 8 October. Belgrade revealed on 9 October that Warsaw earlier this year granted Belgrade a credit of several million dollars, the first credit from a bloc state since 1956.

Party Relations

With the restoration of amicable state relations, the stage appears set--as in the months following the 1955 declaration--to explore the possibilities of re-establishing party relations. Such discussions were probably initiated during the Brezhnev visit; Yuri Andropov, the Soviet party's expert on relations with ruling Communist parties, was a member of the delegation.

The communique made no reference to party questions or even to Yugoslavia's "socialism." In Brezhnev's presence, Tito lauded Yugoslavia's new constitution, which embodies many ideological precepts considered heretical by Moscow. Tito also stated that Yugoslavia will draw on its own experience to overcome

domestic problems, thus rejecting Soviet doctrine as a guide.

The communiqué's citation of the 1955 declaration, however, implied that Moscow again recognizes the legitimacy of Yugoslavia's "socialism." Moreover, by calling for "cooperation between public and other organizations," the communiqué seemed to hint that party matters will be discussed.

Moscow may have given some of the more liberal Communist parties the green light for talks with the Yugoslavs in an effort to promote discussions without directly involving its own prestige.

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A Yugoslav newsman has stated that Belgrade has been invited to the Hungarian congress next month. Yugoslav politburo member Vladimir Bakaric is currently in Poland, ostensibly as leader of a delegation of the Tito regime's mass political organization (SAWPY), and talking with high Polish party leaders.

Any significant developments in party relations will probably wait until Tito visits the Soviet Union "privately" in December. Tendered last summer, the invitation was accepted during--and probably because of--Tito's talks with Brezhnev.

Albania

One important outcome of the Yugoslav-Soviet rapprochement may be new Yugoslav efforts to subvert the Albanian regime. Brezhnev's endorsement of Yugoslavia's Balkan policy implied that Belgrade has been given a free hand.

While Brezhnev was in Yugoslavia, moreover, Dusan Mugosa, Yugoslavia's leading Albanian expert, gave a speech in which he warned that communism in Albania was endangered by the Hoxha-Shehu leadership. He also alleged that these two Albanian leaders do not enjoy the support of their own

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politburo. This speech was published on the front page of Borba, authoritative Belgrade daily, on the following day. The subject could have been discussed during Mugosa's visit to Moscow last July.

Satellite Reaction

The European satellites have all reported the Brezhnev visit to Yugoslavia at some length. Bulgaria and Czechoslovakia have been the only countries to comment editorially, however; after maintaining a hostile silence toward Yugoslavia for some months, Prague now claims to be "close" to the USSR and Yugoslavia.

Reactions within the satellite parties to Yugoslav-Soviet amity are probably quite diverse. The more liberal Polish and Hungarian regimes probably believe it will increase their flexibility when dealing with domestic problems. The conservative regimes of Bulgaria and Czechoslovakia, however, probably believe it presages greater pressure to move on with "de-Stalinization," a policy they fear will upset their domestic stability.

Communist China

Communist China's hostility to the Brezhnev visit, manifested last month by an upsurge of polemics against "Yugoslav revisionism," was again indicated at the conclusion of the visit. People's Daily on 8 October underscored the similarity of Soviet and Yugoslav views by extracts from a TASS account of the Brezhnev visit. By a liberal use of quotation marks, Moscow itself was given as authority for statements that Soviet and Yugoslav positions "coincide or are close," that Brezhnev had accepted "The Great Star of Yugoslavia" medal from Tito, and that Brezhnev hailed the current state of Soviet-Yugoslav relations and the prospects for further improvement. By this innuendo, the Chinese were again indicating what the Albanians have stated explicitly --that Khrushchev himself is dangerously "revisionist."

Peiping is still hopeful that its augmentation will rally an important segment of the international Communist movement against the Soviet leader. To this end, the Chinese reprinted a North Korean attack against the "Tito group" on the same page of People's Daily which excerpted the TASS account of Brezhnev's visit. Peiping's implicit point was that the Chinese have already won important support and do not intend to moderate their opposition to Khrushchev's policies.

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****EUROPEAN INTEGRATION DEVELOPMENTS**

A sharp increase in the tempo of European integration developments is in prospect with the resumption of negotiations in Brussels on Britain's Common Market entry. Most of the EEC countries are sympathetic to Macmillan's domestic political need to wind up the accession talks quickly, but hard bargaining and intensive maneuvering are likely over the key issues which remain.

The 8-9 October meeting of UK and EEC ministers was largely taken up--in addition to scheduling--with Britain's bid for a better deal for the Commonwealth. Although the British requests were relatively modest, the Common Market reaction was generally negative. Agreement may ultimately be reached on somewhat better terms for such underdeveloped countries as India, Pakistan, and Ceylon, and a new approach may be taken to the problems of the African Commonwealth members rejecting formal association with the EEC. Of the developed Commonwealth countries, however, only New Zealand seems likely to obtain concessions other than easier access to EEC or UK markets for exports of certain industrial raw materials.

Among the other issues to be considered in the resumed accession talks, the dispute over the EEC's common agricultural policy--which occasioned the adjournment of 5 August--seems especially difficult. The French contend that the Common Market countries agreed last January that all receipts from the EEC's variable levies on imports of farm products will eventually accrue to the community and that no further EEC decision is required. Paris has made it amply clear it will insist on London's endorsement of this interpretation, even though this might mean that Britain might contribute as much as half of the community's total financial resources.

London's obligations to the other EFTA (Outer Seven) coun-

tries are another complex issue for which no solution is yet in sight. Britain feels itself morally bound not to enter the EEC until satisfactory arrangements have been made to meet the "legitimate interests" of its EFTA partners. Of the EFTA countries, however, only Denmark has so far obtained more than a preliminary hearing on its application for EEC membership--a lag due in part to a shortage of EEC personnel, but more basically to the absence of an EEC decision on how large the community can become without risking unworkability.

A key EEC official has recently expressed the view that London will attempt to skirt the EFTA problem as long as possible and would ultimately feel it had discharged its obligations if the EEC would give a general undertaking to negotiate customs union agreements with all the EFTA countries. Such a commitment, however, would be extremely difficult for the EEC to give. Moreover, there is considerable speculation that, at some crucial point in the accession talks, France will precipitate the EFTA issue by insisting that Britain renounce its EFTA membership--as Article 234 of the EEC treaty regarding incompatible commitments would legally require it to do.

The implications of the EFTA issue thus provide further evidence of the extent to which Europe's political, as well as economic, future is tied up in the Brussels talks. De Gaulle's late-September proposals to Adenauer calling for specific steps toward closer French-German ties have angered Premier Fanfani and had the effect of strengthening both Italian and Benelux determination to have Britain in the community as a counterweight. These countries nevertheless still want a fully integrated economic and political community, and they seriously question whether this can be achieved if Britain insists on bringing with it other members whose interests seem primarily commercial.

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****THE MRBM ISSUE IN NATO**

The NATO countries remain divided in their approach to the question of creating a multilateral medium-range ballistic missile (MRBM) force. Some members favor such a force as the most feasible way to give the Europeans a greater share in the nuclear defense of NATO, while discouraging the proliferation of independent nuclear capabilities, especially in the case of Germany. Others object to the idea on both military and political grounds.

In an effort to clarify some of the basic military issues involved, General Norstad--who is retiring on 1 November--is scheduled to give the North Atlantic Council on 17 October his personal evaluation of NATO's present need for MRBMs.

In 1957 the NATO heads of government authorized steps to put ballistic missiles at the disposal of the Supreme Allied Commander (SACEUR). This authorization was partially implemented by the establishment of Thor and Jupiter squadrons in the UK, Italy, and Turkey.

In 1960, the NATO military authorities established an MRBM requirement for Allied Command Europe (ACE). The requirement was based on SACEUR's proposal for a phased replacement of obsolescent strike aircraft and missiles from 1963 through 1965 by the deployment of 300 MRBMs. The UK has already announced it will drop the obsolescent Thor missiles. The Polaris missiles subsequently assigned to NATO by the US were considered to fill the sea-borne portion of this requirement for the time being, but further study was to be given the land-based missile system.

Furthermore, a proposal for a mixed land and sea force of MRBMs for the defense of ACE after 1965 was included in the NATO commanders' proposed

1966 requirements, on which the military committee has not taken final action. The military authorities are awaiting guidance from the Council on the introduction of these weapons, and the NATO countries are divided over the next step to take in coming to a decision.

Belgium, with the general support of Canada, Norway, West Germany, and Greece, is pressing for an immediate study of the US proposal for a multilateral sea-borne force, which the US believes would meet the pressures for a NATO strategic nuclear capability. Britain argues that a decision on the military need for such a force--a need London has questioned--should have priority. France, Italy, and the Netherlands also feel it would be useful to obtain a military opinion first, although Paris continues to hold that the final decision on MRBMs will be based on political considerations.

Other factors have tended to complicate and delay significant progress on this issue. One is the realization that the MRBM question is part of the overall problem of NATO defense policy, and thus depends on decisions about the balance between nuclear and conventional forces, the proper nuclear role for NATO, command and control procedures, and financial problems.

Another delaying factor is the fear that controversial discussion might endanger current UK-EEC negotiations. There is general agreement that broad policy decisions cannot be taken until the forms of political and military cooperation arising from UK entry into the Common Market are determined.

Secretary General Stikker believes there is need for many more months of discussion and that no significant decisions can be expected at the December NATO ministerial meeting.

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

## FRENCH POLITICAL SCENE

Leaders of the French political parties which toppled the Pompidou government on 5 October admit they have little chance of defeating De Gaulle's proposed constitutional amendment in the referendum on 28 October. They believe, however, that they will be able to cut the representation of the Gaullist Union for the New Republic (UNR) in the National Assembly election to be held on 18 and 25 November. The outcome of both votes will depend on the degree to which De Gaulle participates in the campaigning.

nate, and only a few figures of national prominence in relatively safe constituencies can be expected to win across-the-board backing. While the Communist Party is not represented in the anti - De Gaulle coalition, it will probably back Socialist or Radical candidates where its own position is weak; its support may be decisive in a number of cases.

UNR leaders express optimism about the outcome of both the referendum and the elections. Olivier Guichard, a close political adviser of Pompidou, told a US Embassy officer on 8 October that he thought De Gaulle could get about 60-70 percent support in the referendum, but would need to make a special effort on behalf of UNR candidates if they are to maintain their position in the assembly. UNR leaders feel that the issue in both campaigns will ultimately be De Gaulle and the new republic versus the old parties of the Fourth Republic. They may be overly confident, however, of De Gaulle's concern about their political fortunes.

De Gaulle's major concern is the referendum vote. Despite UNR pleas for holding the elections and the referendum simultaneously, he has put off the elections until the end of the 40-day period the constitution allows following dissolution of the assembly. He is apparently allowing time for the traditional differences among the parties to surface, but he also probably feels that an assembly campaign held closer to the referendum would cut into his referendum support.

While De Gaulle is expected to take an active role in the referendum campaign, he would be breaking a personal precedent to ask the public to support UNR assembly candidates and thereby identify himself with a party representing only a fraction of the nation. The UNR would like to have De Gaulle include the elections as well as the referendum in his implicit threat to resign if the vote goes against him, but De Gaulle may be more willing than the politicians realize to risk a hostile assembly.

There is little likelihood that the leaders of the opposition to De Gaulle can maintain the unanimity which brought down the Pompidou government in organizing local united fronts against UNR candidates for the electoral campaign. Several leaders of the center Popular Republican Party (MRP), including former Premier Pierre Pflimlin, are known to favor De Gaulle's position in the referendum, and 30 Independent deputies have already announced they will not accept their party's discipline.

In many cases, local issues and loyalties to party or to individual candidates will predomi-

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****DEVELOPMENTS IN YEMEN EMBROIL NEAR EAST**

The battle between the revolutionary Yemeni government and royalist Yemeni tribes has become a key phase of the larger contest in the Arab world between Nasir's radical, Arab nationalist doctrine and the conservatism of other governments, especially the Saudi and Jordanian monarchies.

Cairo has thoroughly identified itself with the Yemeni rebel regime. Indeed, it was Cairo's long-time support of the Free Yemeni movement, its sustained propaganda against the Yemeni monarchy

**Cairo's Position**

For Nasir, the Yemeni revolt represents a crucial gain. The year following Syria's breakaway from the UAR in September 1961 had been one during which his prestige declined steadily. His revolutionary programs continued to lose dynamic appeal even within Egypt. His efforts to foster an uprising in Syria fizzled in April and again in August. Charges made against his regime by Syria, Jordan, and Saudi Arabia in meetings of the Arab League forced him to suspend Egyptian participation in the very "Arab unity" organization which Cairo has always dominated.

Using propaganda and subversion, Nasir nonetheless managed to sustain considerable internal pressure on the governments opposed to him--Syria, Jordan, Saudi Arabia, Yemen, and Iraq. Moreover, these governments continued to be largely unsuccessful in their attempts to create some sort of common front against him.

Yemen was not Nasir's highest priority target nor was Egyptian pressure the greatest there. The breakthrough for

Nasir's campaign occurred in that country because the death of Imam Ahmad and the succession of [redacted] Crown 25X1 Prince Badr gave Yemeni army officers their chance to move.

**UAR Aid to Rebels**

Nasir has acted quickly to guide the activities and policies of the Yemeni revolutionary government. Deputy Prime Minister Baydani--who, in addition, is deputy chief of the Revolutionary Command--was hand-picked by Cairo. Other cabinet members had also been leading figures in the UAR-backed Free Yemeni movement, and Cairo has sent a number of advisers to work with the new Yemeni ministers. Prime Minister Sallal, however, might be inclined to an independent attitude if his need for Cairo's help were not so great.

Egyptian military aid--troops as well as equipment--has already arrived by sea and air, and more is on the way. An Egyptian military mission is advising the revolutionary command on tactics against the royalist tribes. Egyptian planes have reportedly run bombing strikes against tribal villages and reconnaissance flights over Saudi Arabian as well as Yemeni territory.

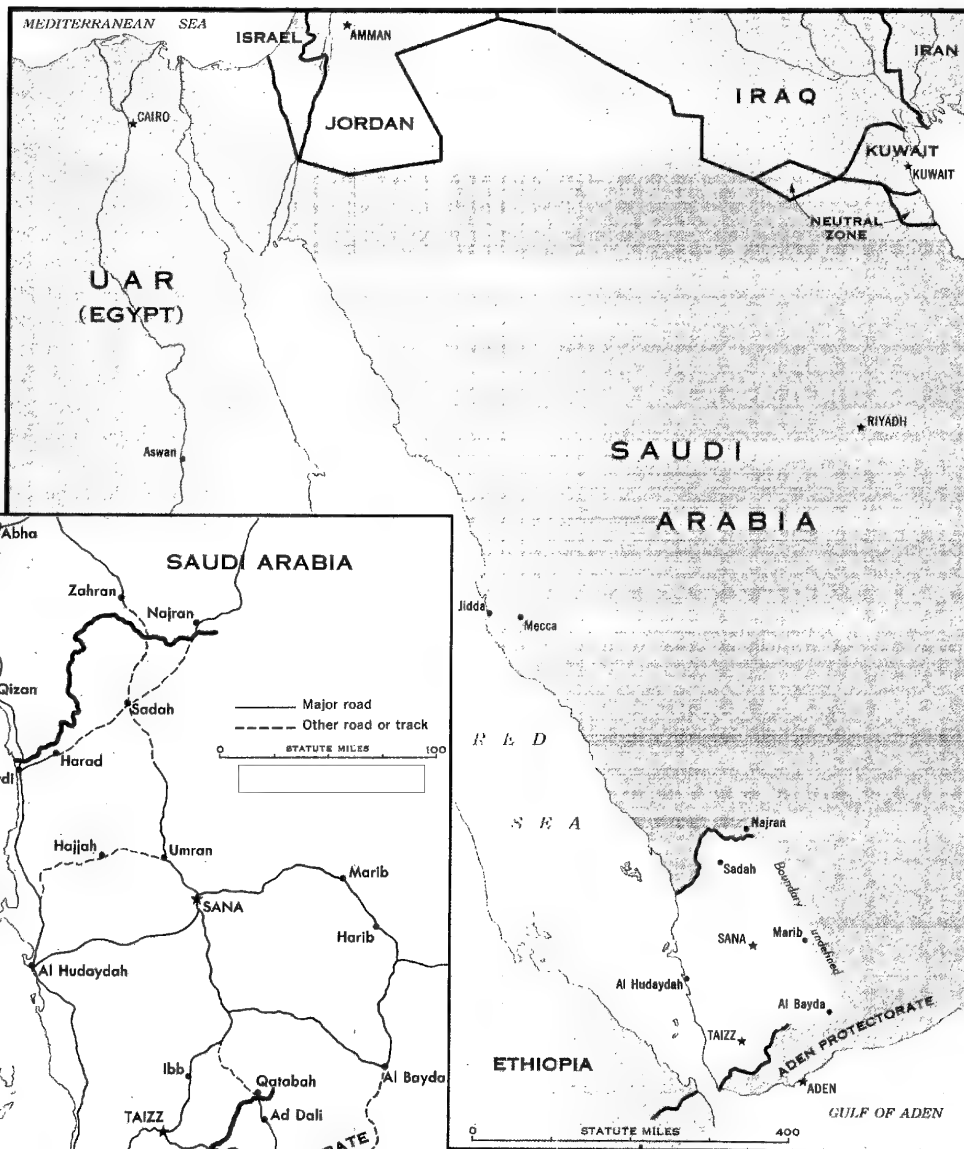
The Yemeni revolutionary forces have maintained their control of the larger towns, but have reportedly lost several villages to the royalist tribes, which are particularly strong in the north. Army units operating outside the cities run the risk of defections as soon as tribal resistance is encountered. The army is very short of transport, and most of its Soviet-made equipment is inoperable because of inadequate maintenance. It thus appears that the Yemeni revolutionists would have little chance of establishing control over the countryside without the extensive Egyptian assistance which is being provided.

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WEEKLY REVIEW

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**CURRENT INTELLIGENCE WEEKLY SUMMARY**



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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

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British Attitude

The British, although conscious of the threat to Aden which would be posed if the Yemeni revolutionary government establishes itself, have been limiting themselves to a policy of discreet aid to Yemeni royalist tribes.

Soviet Reaction

Moscow appears to regard the revolution in Yemen as an opportunity to range the USSR on the side of the new revolutionary regime and the UAR against Saudi Arabia and Jordan, which the Soviets allege are backed by the Western "imperialists." Khrushchev's 1 October message of recognition to the new Yemeni government contained a warning, unusual in such messages, that the Soviet people "deem impermissible any foreign intervention in the internal affairs of Yemen." Although the USSR may follow up its prompt recognition with offers of economic and military aid and may assist Cairo in supporting the revolutionary regime, it is unlikely that the Soviet leaders would be willing to go beyond such indirect measures, coupled with diplomatic and propaganda support, in seeking to consolidate the new regime.

Pravda on 10 October charged the US and Britain with supplying arms to "invaders" from Saudi Arabia and Jordan, thus playing down internal tribal opposition to the new regime. The article reiterated Khrushchev's warning that foreign intervention is "impermissible," but avoided any threats of possible Soviet counteractions if the foreign "invaders" were not withdrawn. Pravda also denounced the US for withholding recognition of the new government and claimed that this amounts to "direct instigation" to step up the aggression against Yemen.

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

## INDIAN-NEPALI RELATIONS WORSEN

Relations between India and Nepal have taken a new turn for the worse following the failure of King Mahendra's "last effort" to persuade New Delhi to take measures against the dissident Nepali Congress exiles in India. Mahendra has recalled the anti-Indian Tulsī Giri to the Foreign Ministry and seems determined to step up his campaign to reduce Indian influence in Nepal.

India's reaction to recent developments has thus far been restrained. Its patience, however, is apt to wear thin should Mahendra's actions in the next few months result in a substantial increase in Chinese influence in Nepal.

Mahendra, wary of too directly provoking New Delhi, will probably move gradually in developing his tougher policy. He may seek to reduce the size of the Indian military advisory group in Katmandu and to eliminate manifestations of Indian privilege which rankle Nepali nationalists. These include the Indian post office facilities in Katmandu, India's separate communications facilities in Nepal, and the wide-ranging activities of Indian commercial agents.

Simultaneously, Mahendra will probably seek increased assistance and support from

the outside, particularly from Britain, which still recruits Nepali Gurkha soldiers, and from the United States. He presumably hopes that both will counsel New Delhi to be moderate. He may also encourage closer and more visible ties with Pakistan.

With regard to Communist China, the King can be expected to move cautiously. Eventually he may accept greater Chinese assistance--including small arms, if he cannot obtain them elsewhere--and encourage at least the appearance of greater Chinese influence. However, he will probably attempt initially to play on New Delhi's fears about the Chinese by emphasizing Sino-Nepali amity and cooperation; Chinese aid projects, including the road from Katmandu to Tibet, as well as high-level contact with Peiping would provide useful and recurring pegs. Katmandu's rebroadcast on 6 October of Peiping's assurances of support to Nepal in the event of foreign attack is an example of the way in which Mahendra can exploit Sino-Indian tension.

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****DEVELOPMENTS IN LAOS**

Substantial numbers of North Vietnamese troops remain in Laos in support of the Pathet Lao. While some apparently exist as separate units, most probably have been integrated into Pathet Lao units in an effort to avoid detection.

Souvanna, while aware of the continued presence of North Vietnamese forces, adopted a conciliatory public position in his statement on 7 October--the deadline for withdrawal of foreign military personnel. He observed that such withdrawals had not been completed fully, but expressed the belief that the "last remaining troops" would be removed "as soon as possible."

North Vietnam, anticipating US charges of violation, is

moving to confuse the issue. It has officially charged that US military personnel, disguised as civilians, remain in Laos. Communist propaganda has emphasized this theme in recent weeks.

On 8 October the National Assembly--inactive since the formation of the coalition government except for a few token meetings--voted "full powers" to the coalition for the period of one year. The Pathet Lao, which denies the legitimacy of the assembly, has protested the action as contrary to the Zurich and Plaine des Jarres agreements. In view of Souvanna's acquiescence in this assembly action, it is likely that continued Pathet Lao attacks will serve only to alienate the Pathet Lao further from the pro-Souvanna elements.

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**SITUATION IN THE CONGO**

Tshombé has given his "word of honor" to Under Secretary McGhee that he will start to implement parts of the UN reconciliation plan without making prior approval of the new constitution a condition. Tshombé's statements to McGhee over four days of talks made it clear, however, that he still insists on a loose federal constitution, that he will resist splitting Katangan revenues and foreign exchange evenly with the

central government, and that he will try to delay Katanga's military reintegration pending evacuation of the Congo National Army (CNA) from northern Katanga and withdrawal of some UN forces from positions around Elisabethville.

Tshombé specifically agreed to speed up the work of the joint commissions, to open the Lubilash bridge at the Katanga-Kasai border on the main route to Leopoldville,

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

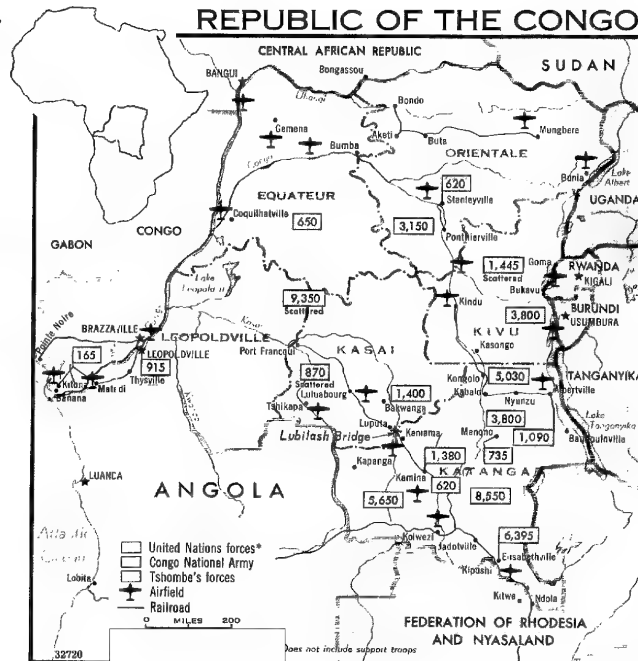
to work out an immediate cease-fire with the (CNA) to formulate and schedule an oath of allegiance to be taken by the Katangan military, and to release the nonmilitary part of some UN supplies he has been blocking.

McGhee doubts that Tshombé will comply fully with his promises. Tshombé avoided any commitment to make an immediate shipment of copper via the "all Congo" route to Matadi, or even to make a token revenue payment to Leopoldville. He did not appear seriously concerned that his failure to reintegrate might result in a takeover by more radical elements in Leopoldville, and pointed to himself as the most able and responsible Congo leader.

Adoula and other Leopoldville leaders are meanwhile becoming even more pessimistic regarding the UN plan and complain that a solution has become urgent. Recent statements by central government officials suggest that if this plan fails they will resist any new Western attempts to get them to negotiate a settlement with Tshombé and will again look for bilateral military assistance outside the UN framework. Adoula has requested that the US supply his government with transport planes and pilots. This may be a forerunner to a request for large-scale US assistance outside the UN.

Moscow appears to be increasingly hopeful that the Adoula government will turn to the bloc for military and economic aid in order to solve the Katanga problem.

The newly arrived Soviet ambassador in Leopoldville is openly predicting failure of the UN plan to reintegrate Katanga and is advising the



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Adoula government to demand withdrawal of the UN. He has renewed earlier Soviet offers of economic aid

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Other Soviet and bloc diplomats have assured members of the Congolese Government and opposition leaders that the USSR would provide sufficient aid to enable the Leopoldville government to achieve reintegration of Katanga.

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Adoula has to date resisted Soviet offers of economic assistance and military equipment, and he would probably accept them only after a US turndown and a refusal by the Afro-Asian states to provide aid. Political pressures on Adoula to achieve a victory over Tshombé are strong, however, and some of Adoula's entourage apparently believe acceptance of the Soviet offers would give them the means to achieve a rapid solution of the Katangan problem.

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****CUBAN DEVELOPMENTS**

The identification of five more SA-2 surface-to-air missile (SAM) sites under construction in Cuba raises the total of such sites to twenty. This almost completes the air defense coverage of the island. The newly identified sites are at Manzanillo in southern Oriente Province and at four locations on the north coast of eastern Cuba. All the sites identified thus far have been set up with a minimum of construction work. More permanent facilities will probably be constructed after the sites become operational.

**Soviet Personnel**

For some time Soviet military personnel will almost certainly operate the installations. There is no evidence that the training of Cubans in the operation of the SAM equipment or of the coastal-defense cruise-missile installations has begun. After such training starts, it will be about a year before Cubans can operate the equipment without extensive Soviet technical support.

It is estimated that a minimum of 2,500 Soviet personnel are needed to man the 20 confirmed SAM sites. This does not include the necessary support personnel or those required for the three coastal defense installations thus far identified.

many convoys of military trucks driven by what appeared to be Soviet soldiers have been seen in Cuba

While the men are dressed in civilian clothes, "sometimes wearing sportshirts which come in three or four different colors, there can be no mistaking their military bearing and Slavic physiognomy."

the Soviet personnel appear to be operating in self-contained units. He does not know whether or not any of them are to be employed in training Cuban forces.

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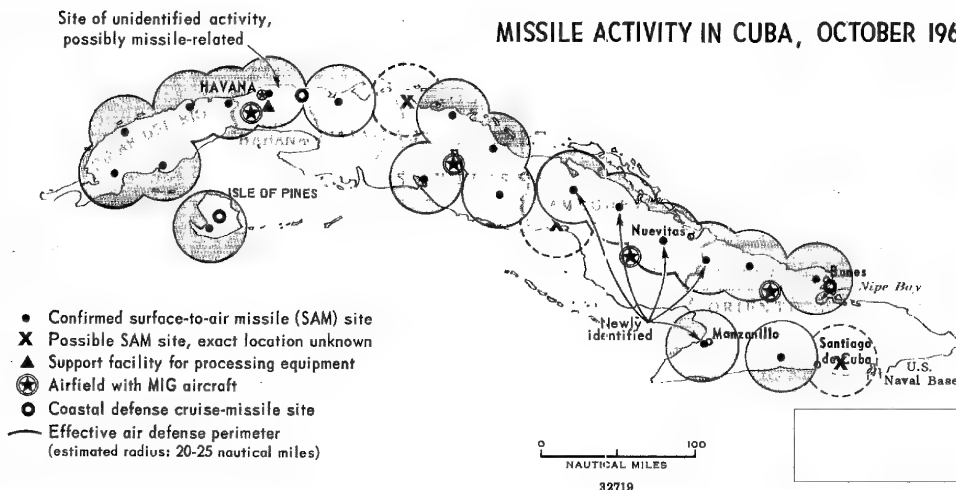
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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****Probable New Naval Facility**

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struction has begun on an unidentified facility at the port of Banes in Oriente Province, near previously identified SAM and coastal defense missile installations. This may be related to persistent reports of the past several months that a Cuban naval base would be established at the Banes port. Heretofore Banes has been a small naval post subordinate to Third Naval District headquarters in Santiago. Two of Cuba's six Soviet-made Kronshtadt-class submarine chasers have been stationed at Banes port since last July.

**Cubans Training in the Bloc**

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according to Cuban press sources, 660 Cuban university students and 1,144 Cuban technicians and workers have received scholarships for non-military training in nine bloc countries, as follows:

	<u>Technicians and Workers</u>	<u>Univ. Students</u>
USSR	400	300
Czechoslovakia	235	191
Poland	174	37
Rumania	90	73
Hungary	80	28
Bulgaria	59	13
East Germany	50	18
Communist China	47	--
North Korea	9	--

Also according to Cuban press sources, the university students are studying the following subjects:

Economics	38
Naval engineering	27
Mechanical	" 133
Chemical	" 123
Electrical	" 55
Metallurgical	" 100
Electronic	" 49
Industrial	" 10
Hydraulic	" 1
Mining	" 90
Geology	34

**Soviet Propaganda**

Soviet comment on Cuba stressed, that the OAS foreign ministers conference resulted in a "defeat for US anti-Cuban policy." Contrasting the attitude of the "more complacent" Central American countries-- "the principal tools of US aggressive plans against Cuba" --with that of Brazil, Chile, and Mexico, Moscow asserted that the majority of the ministers "let it be known that they did not intend to engage in practical anti-Cuban action."

US plans to take unilateral steps to prevent the use of allied shipping for the transport of bloc supplies to Cuba were assailed by Moscow as "the beginning of an open trade war" against Cuba. The US was accused of subjecting its NATO allies "to pressures unprecedented in peacetime" with the aim of imposing an economic blockade on Cuba. These "cannibalistic plans" are designed to starve the Cuban people in order to break their spirit of freedom, said Moscow. Such measures "violate the basic standards of international law" and "the principles proclaimed by the founders of US independence." Despite these "provocations from the US imperialists," asserted the Soviet commentators, "Soviet ships travel to the shores of Cuba daily," and Cuba will receive everything it needs from "faithful friends."

TASS factually reported Cuban President Dorticos' speech in the UN General Assembly, stressing that he "ridiculed Western propaganda assertions" that Cuba was a threat to security in the western hemisphere. TASS added that Ambassador Stevenson "tried to deny" Dorticos' "clear-cut" statements that it was the United States and not Cuba that constituted the threat to Latin America.

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**VENEZUELAN GOVERNMENT MOVES TO QUELL COMMUNIST VIOLENCE**

The Venezuelan Government, after suspending constitutional guarantees on 7 October, continued to take strong action to curtail the current upsurge of Communist violence. The terrorism is apparently part of a campaign to embarrass the administration, weaken public confidence, and possibly provoke a military coup. President Betancourt remains under heavy pressure from the military to arrest Communist national deputies implicated in the anti-government violence.

The terrorism has been directed primarily at military personnel and non-Venezuelan interests in Caracas. On 7 October a two-hour armed battle broke out when extremists using mortars and automatic weapons attacked an army post in southwest Caracas. Earlier, terrorists had attacked and set fire to the embassies of the Dominican Republic and Poland. Sniping, bombings, and assaults on government and military personnel have occurred almost daily. Also contributing to the political anxiety was the reopening last week of the violence-prone Central University and the reconvening of Congress.

More than 300 extremists have been arrested, but the government has been prevented from prosecuting Communist national deputies identified as leaders of the terrorism. The opposition-controlled Chamber of Deputies has consistently rejected administration requests to lift the parliamentary immunity of extremist congressmen,

While the situation is likely to remain serious for an indefinite period, Betancourt will probably succeed in averting a military takeover. According to the US Embassy, he still retains the loyalty of most military leaders and the labor unions, and he can expect public support for additional repressive measures.

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****CHILEAN CURRENCY DEVALUATION IMMINENT**

Devaluation of the Chilean escudo from the official rate of 1.05 to the dollar to somewhere near the free rate of 2.00 to the dollar probably will be announced on or soon after 15 October. As a prelude to the government's official devaluation, the Chilean Central Bank announced on 11 October that "the escudo will be left to seek its own level." The bank's action will not affect the free market rate but will allow the bank exchange rate, heretofore pegged at 1.05, to fluctuate "in accordance with supply and demand" in the closely controlled bankers' market.

President Jorge Alessandri has delayed the action since January, when it was recommended by the International Monetary Fund. He fears that devaluation will reduce his political prestige, which relies heavily on his claim of achieving economic stability.

He also fears the move will cause the Radical Party (PR) to withdraw from the governing coalition. The PR controls more than one-fourth of the votes in the congress. By withholding its support it can effectively bloc future administration proposals, and by voting with the leftist opposition the PR will also be able to override a presidential veto.

In addition Alessandri is aware that devaluation will give a potent propaganda issue to the Communist-dominated Revolutionary Front for Popular Action (FRAP).

The need for devaluation stems from the inflationary spiral which has caused a ten-

fold increase in the general price level since World War II. Following last December's foreign exchange crisis, during which all exchange operations were suspended for two weeks, the government imposed a system of pre-deposits and surcharges on imports, ranging from 10 to 10,000 percent of the value of the goods. Importers have been so eager to accumulate inventories before devaluation, however, that the controls have been largely ineffective.

The inelastic demand for Chilean exports--mostly mineral raw materials and simple agricultural products--precludes any real expansion of trade, even after devaluation.

Delays in enacting reform programs, particularly in the land tenure system and the income tax schedule, have slowed the arrival of Alliance-for-Progress aid from the US. Chileans generally feel that the US has been discriminating against Chile by withholding aid--a feeling the leftists have been careful to foster and augment through their propaganda media--and some claim the delay is attributable to Chile's refusal to break relations with Cuba.

Although US spokesmen have been critical of Chile's continued trade with Cuba--usually a barter exchange of foodstuffs for sugar--Chilean-US relations are actually dependent on Chilean efforts to enact meaningful reforms. Unfortunately for the Alliance, reforms are dependent on internal political cohesion, which probably will suffer from devaluation.

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****SPECIAL ARTICLES****INSURGENCY IN LATIN AMERICA**

Insurgency is increasing in several Latin American countries. Communist or pro-Communist guerrilla groups in Colombia, Paraguay, and Venezuela are actively engaged in campaigns to undermine the governments and eventually to bring about Castro-type revolutions. In Guatemala and Nicaragua ultra-nationalist organizations--some with Communist support--are attempting to merge extremist elements into unified revolutionary movements capable of prolonged antigovernment operations. Extremist groups in other Latin American countries are seeking to capitalize on unstable political conditions to initiate insurgency movements.

**Guerrilla Planning and Tactics**

Since the anti-Castro declarations during the meeting of foreign ministers at Punta del Este last January, there has been evidence that an increasing number of Latin American Communist leaders favor a policy of armed violence as the means of attaining power. Only the Communist parties of Chile and Uruguay are known to have rejected the "hard line" in favor of a basically nonviolent, parliamentary approach. Adoption of a policy of revolutionary action has been urged upon Latin American Communists on the ground that it has been tried and proved in the Far East and in Cuba.

According to the Communist analysis of the general situation that prevails in many Latin American countries, armed violence offers the best means of capitalizing on existing popular discontent, and hastening the downfall of capitalist regimes already experiencing

severe strains of their own creation. Moreover, active opposition affords one of the most effective ways for Communists to get the cooperation of a variety of extremist groups. The Communists are also convinced that armed violence eventually undermines public confidence, and forces the governments against which it is directed to divert their limited resources from economic development, thus compounding their difficulties.

The Communists and pro-Communists appear to be concentrating on organizing and training guerrilla forces for protracted revolutionary action, as distinguished from the coup d'etat. Guerrilla operations are being employed essentially as a weapon of subversion in conjunction with urban riots and strikes to create chaos and weaken the political structure.

In Venezuela and Colombia frequent raids on government installations are being carried out for the purpose of stealing automatic weapons and ammunition, communications equipment, clothing, and other military supplies. In Brazil, Colombia, Ecuador, Paraguay, and Peru the revolutionaries continue to acquire arms through smuggling.

Bank robberies attributed to leftist insurgents have become increasingly frequent in recent months.

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The composition and strength of the insurgent groups vary, as does the degree of Communist

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influence within each group. In Venezuela the Communist Party is a major force in the insurgent movement. Ultranationalist groups--some of which are Communist-dominated or influenced--lead the revolutionary movements in Guatemala and Nicaragua. Paraguay is threatened by both Communist and extreme nationalist insurgents. In Colombia most of the active bands are still apolitical and employ armed violence for criminal purposes.

Areas of Major Guerrilla ActivityVenezuela

The guerrilla movement in Venezuela is the most active in Latin America and probably has the greatest potential in terms of organization, equipment, and finance. The movement appears to be directed by the Venezuelan Communist Party (PCV) with the aid of its ally, the Movement of the Revolutionary Left, and of elements of the Democratic Republic Union. Aware that President Betancourt's downfall would remove one of Communism's leading opponents in the hemisphere and facilitate Communist expansion, the Communists are determined to overthrow him.

After a two-month lull, reorganized guerrilla forces have regrouped forces, primarily in the western mountain states of Lara, Falcon, and Portuguesa. As in other countries, the Communists in Venezuela appear to be concentrating on an arms buildup and formation of a well-trained cadre.

Earlier the party had established a National Command for Paramilitary Affairs and sent members of the paramilitary unit in Caracas to camps in western Venezuela. Aside from the paramilitary group of some 200 men, the Communists rely

largely on students for recruits, primarily from the Central University in Caracas.

Military personnel and police stations are prime targets for extremists seeking weapons. Pamphlets seized at the Central University called on students to steal arms for the guerrillas. As is the case with most Latin American countries, Venezuela has a long unprotected coastline that would facilitate arms smuggling.

Since the Venezuelan Communists still lack the peasant support necessary for extensive guerrilla warfare, government security forces will probably be able to prevent the present insurgency from becoming widespread in the near future. However, while most of the rural population is considered loyal to Betancourt's Democratic Action Party, some peasants may become more susceptible to Communist recruitment after Betancourt leaves office in 1964. Incidents of terrorism and armed violence will become more frequent as the Communists increase their paramilitary capability.

Colombia

Armed bands have terrorized rural areas of central and western Colombia since 1948 and continue to cause over 200 deaths each month. Most of the bands operate independently and are nonpolitical, and Communist influence has been largely confined to several small enclaves. However, there is increasing evidence of Communist efforts to penetrate bandit groups and coordinate them into a unified insurgency movement.

The United Front for Revolutionary Action (FUAR)--organized by pro-Castro extremists in 1962--is the primary force behind these efforts.

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FUAR has succeeded in recruiting members from the Revolutionary Liberal Movement, the Worker-Student-Peasant Movement, and the Colombian Communist Party's extremist wing, which is dissatisfied with the party's reluctance to engage in armed revolution.

The new administration which assumed power on 7 August has begun an intensive campaign to eliminate violence. While a substantial decrease in overall violence is expected, there is a growing danger that a considerable number of bandit groups will collaborate with FUAR.

Guatemala

In Guatemala the ultra-nationalist 13th of November Movement engaged in sporadic fighting earlier this year with Cuban financial aid. However, attempts to establish a widespread guerrilla movement apparently have not been successful. Although 13th of November leaders are not Communists, Communist influence in the movement appears to have increased. At the height of its activity the movement consisted of an estimated 40 to 60 disciplined fighters and up to several hundred collaborators.

The Communist Guatemalan Labor Party is considered too weak to undertake significant revolutionary activity, but it is training university students in guerrilla warfare. While there is no threat of a large-scale outbreak in the near future, Communist-supported extremists will probably continue efforts to organize a guerrilla movement in hopes of launching an attempt against the government with the cooperation of exile groups in Costa Rica, Honduras, and Mexico.

Handicapped by inadequate training and poor deployment, government forces would have

difficulty in suppressing a large-scale insurrection. Widespread public dissatisfaction with President Ydigoras' administration increases the likelihood of antigovernment violence.

Paraguay

The Paraguayan Government continues to be threatened by a miscellany of armed exile groups operating along the Paraguayan borders in Brazil and Argentina and in Uruguay. The Communist-controlled United Front for National Liberation (FULNA) has persistently sought to penetrate and direct exile activities and has been implicated in or responsible for several invasion attempts since 1959. FULNA's estimated 2,500-5,000 members, most of whom are in Argentina, are receiving arms and supplies from the Brazilian Communists.

Three non-Communist exile organizations--the Popular Colorado Movement, the Paraguayan National Union, and the 14th of May Movement--are also engaged in revolutionary activity, but lack sufficient resources to pose a serious threat by themselves.

President Stroessner commands the loyalty of the army--which, with the aid of militia units of Stroessner's Colorado Party, would probably be able to suppress any invasion attempt in the near future. If, however, the major opposition groups within Paraguay were to collaborate with the exiles in a coordinated insurrection movement, the government would be hard pressed to prevent an opposition takeover.

Other AreasEcuador

Dissident factions of the Communist Party of Ecuador (PCE) had succeeded by July 1962 in forming the nucleus of a guerrilla

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25X1 organization. Efforts of front groups to organize additional units added to the dissension within the party.

Although the guerrilla movement is in the organizational stage in Peru, occasional assaults are carried out. The guerrillas staged an attack on several banks and government offices in the town of Jauja last May, capturing weapons and large sums of money. Insurgent activity may increase during the next several months, particularly if the new military government adopts repressive measures against the PCP in urban areas.

Brazil

The Castro-supported dissident Communist Party of Brazil, 25X1 formed last year with a membership of about 1,000

While there is no immediate threat of widespread armed insurgency, the presence of Communist-directed armed bands adds further pressure to the already unstable political conditions.

The Communists hope to exploit the critical political situation in Brazil, resulting largely from the government's inability to satisfy growing demands for socio-economic reforms.

Peru

25X1 Pro-Communist guerrillas and other leftist extremist groups reportedly have been operating in Peru for several months.

Brazilian security officials are concerned over the increasing number of reports of arms smuggling to leftist extremists who are believed to be arming irregular forces. The minister of war recently ordered all army posts to take special precautions to prevent the theft of arms and ammunition by insurgents, and on 5 July 1962 a Brazilian federal court outlawed Che Guevara's book, Guerrilla Warfare.

The PCP is also intensifying efforts to organize scattered extremist groups and Indians into a subversive movement. Communist agitation among the Indians--who comprise more than 50 percent of the population--has incited Indian groups to invade privately owned property in central and southern Peru.

There is also some concern that the Peasant Leagues of pro-Communist Francisco Juliao may be exploited by the dissident

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Communists and become the core of a large Communist-dominated guerrilla movement in the north-east. Sporadic violence has occurred here and in the state of Goias.

Nicaragua

Numerous armed uprisings, none of a serious nature, have occurred in outlying areas of Nicaragua in recent years. Insurgent groups of 30-40 members operating within Nicaragua or invading from neighboring countries have been involved.

While the Communists have increased their influence among the militia, particularly in the mining areas, they are unlikely to control the majority of the militia units within the near future and probably cannot initiate significant insurgency by themselves.

Argentina

Although the likelihood of armed insurgency in Argentina in the near future is slight

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The guerrillas may begin armed violence should widespread antigovernment sentiment be aroused during the forthcoming presidential electoral period.

Bolivia

In Bolivia the government-organized peasant and labor militia units are armed and present a potential subversive insurgent force which the Bolivian Communist Party (PCB) is attempting to influence. The militia units are supposedly under central control of the governing Nationalist Revolutionary Movement (MNR), but in fact reflect factionalism in the MNR and in many cases serve local bosses.

Since 1959 there have been occasional reports of a well-armed Communist band of more than 100 men operating in the western province of Tucuman. The activities of this "National Liberation Army" appear to be unrelated to Communist activity elsewhere, although the group may be receiving Cuban aid.

Dominican Republic

In the Dominican Republic the Communist-dominated 14th of June party (PCJ) had planned to place guerrilla units in the central mountains in event of persecution by the government.

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Panama

In Panama the National Action Vanguard (VAN), a revolutionary group of Marxists active among the peasants, has received assistance from Cuba for insurgency activities. VAN and other pro-Communist revolutionary groups are disunited and lack effective leadership, however, and could probably be controlled by the National Guard.

Other Countries

The current threat of insurgency--Communist or other--is minimal in Chile, Costa Rica, Honduras, Mexico, El Salvador, and Uruguay. The danger in Haiti stems from the heated rivalry between the civilian militia and the army which threatens to erupt into civil war.

Cuban and Bloc Support

Cuba and the bloc provide various forms of assistance to the Latin American insurgents. Cuba and possibly China are training Communist Party members, Communist youth, and other extremists in guerrilla warfare, sabotage, and the use of explosives. Funds are believed to be routed from Havana and Moscow to revolutionary groups in several countries through Cuban and bloc diplomatic posts.

A substantial amount of Cuban and bloc radio propaganda in the hemisphere is devoted to urging worker and peasant

support for "national liberation armies" and other revolutionary groups. Che Guevara's Guerrilla Warfare and numerous other subversive publications are widely distributed.

While arms smuggling has increased in the past year, particularly into Brazil, Peru, and Central America, there appears to be at most only token arms assistance from bloc sources.

Cooperation Among Insurgent Groups

As the insurgent movements expand, coordination among revolutionary groups in adjoining countries is likely to increase.

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collaboration across national borders has been limited largely to occasional exchanges of information and minor logistical assistance.

Deterrent Factors

Most of the Latin American Communist parties and other insurgent groups are hampered by several factors in their efforts to organize effective guerrilla movements. The inability of the insurgents to stimulate peasant support is probably the most significant deterrent. Cooperation of the peasant population is considered essential for successful prolonged revolutionary warfare, but where the peasants do cooperate, as in parts of Colombia, they do so largely out of

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fear. In Brazil, Peru, and Panama, Communists have had some success in persuading peasants to invade property.

Despite the training of large numbers of Communist paramilitary leaders in Cuba and possibly some in Communist China during the past several years, there still appears to be a general shortage of well-trained cadres. The insurgents generally also lack the funds and arms necessary to carry out sustained operations, but supplies of weapons are growing rapidly in many areas.

Communist doctrine on unconventional warfare stresses the need for a "sanctuary" adjacent to areas of fighting to which guerrillas can withdraw for resupply and training. With the exception of small enclaves in central Colombia, the Communists do not exert permanent control over secure areas in Latin America outside of Cuba. There are, however, extensive areas of mountainous jungle terrain particularly suitable for guerrilla operations.

There is disunity among Communist leaders concerning armed action, notably in Venezuela, Ecuador, and Brazil. Younger members feel that they do not have adequate support from the old guard for their revolutionary activities.

#### Government Measures

The armed forces in most of the Latin American countries are strongly anti-Communist and possess sufficient material resources to suppress leftist revolts that might occur in urban areas in the near future.

Certain deficiencies in the military, however, make it less certain that government

forces could successfully engage in prolonged unconventional warfare against well-equipped and well-trained guerrillas operating in dispersed groups. The forces responsible for internal security--usually the army--generally lack adequate organization, training, and equipment for mobile operations. Communications and transportation are particularly weak. Since army conscripts serve short periods of duty--often less than one year--and are usually of the class and areas from which guerrillas are recruited, there is often a reluctance to use the army against guerrillas. Only Venezuela, Colombia, and Paraguay have extensive counter-insurgency training programs, although most countries participate in US-sponsored counter-guerrilla warfare courses.

Most civilian police forces and government intelligence organizations in Latin America are inadequate for counter-insurgency purposes. There is often a lack of coordination between the police and the military and among the armed forces themselves. Border forces are unreliable or incapable of preventing clandestine shipments of arms and subversive literature.

Aware that socio-economic improvements are essential to halt the growing unrest which fosters insurgency and subversion in economically depressed communities, most Latin American governments are committed to some degree of social and agrarian reform. Progress is being made in the fields of health, housing, education, and agriculture. Military participation in civic action programs is increasing in Colombia, Ecuador, Guatemala, and Paraguay.

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****FRANCE'S OVERSEAS DEPARTMENTS**

Popular expectations for early autonomy are mounting in the most important of France's remaining overseas holdings--the Caribbean island departments of Guadeloupe and Martinique. The economic dependence on France of these Antillean territories and of the other two overseas departments--Guiana (in South America) and Reunion (in the Indian Ocean)--has forestalled demands for complete independence. However, local leaders criticize Paris' failure to solve their economic problems and complain about its tight control over French Government assistance funds and local taxes.

French colonies for more than three centuries, Martinique, Guadeloupe, Guiana, and Reunion became "integral parts" of metropolitan France when they were accorded departmental status with Parliamentary representation in March 1946. Although each is under the authority of a prefect appointed by the French minister of the interior, a popularly elected General Council exercises important responsibilities in financial and budgetary matters. Most of the principal French political parties are represented in each department.

In the September 1958 referendum for the Fifth Republic constitution, 90 percent of the voters of these four overseas areas voted to continue departmental status. France's remaining possessions voted to retain territorial status.

**Martinique and Guadeloupe**

The American consul in Martinique reports that there

has been much agitation for autonomy in recent months and that local opinion has begun to assume that some form of increased self-government is "inevitable and will come fairly soon." This is a distinct change from the earlier preference for continuation of departmental status. Previously, only the Communists had consistently called for autonomy. The influential left-wing Progressive Party of Martinique has sought "autogestion"--which would mean some changes in political status but no decrease in French financial assistance.

The economies of both Martinique and Guadeloupe are based almost entirely on sugar and bananas, although efforts have been made recently to introduce new crops, establish light industrial production, and foster tourism. Almost all of the readily exploitable land is under cultivation. This rules out any significant increase in total yield--for which the French market is saturated in any case.

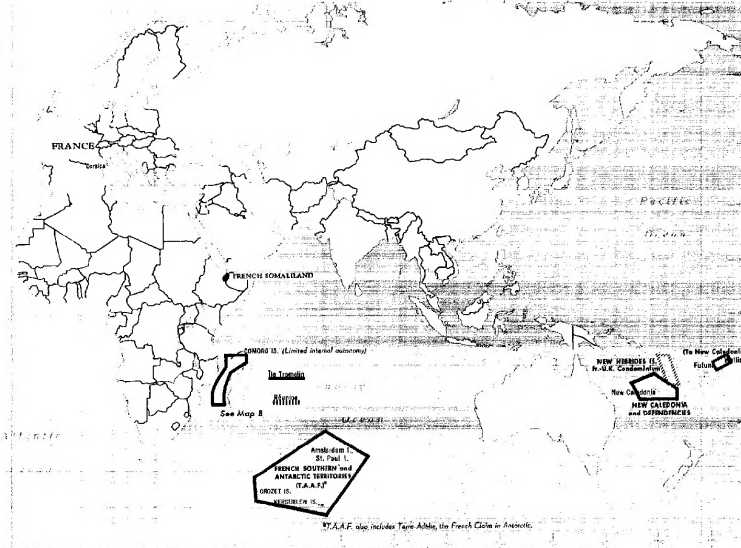
Virtually all of the islands' trade is with the franc zone: about three-quarters of all imports come from France, and over 80 percent of the exports go to France. Although France purchases Antillean exports at a price much above world market prices, producers' profits are kept down by high transport and wage costs. Periodic demands for wage increases have the effect of threatening the entire economy.

One of the most serious problems the islands face is the pressure exerted by a rapidly expanding population on available

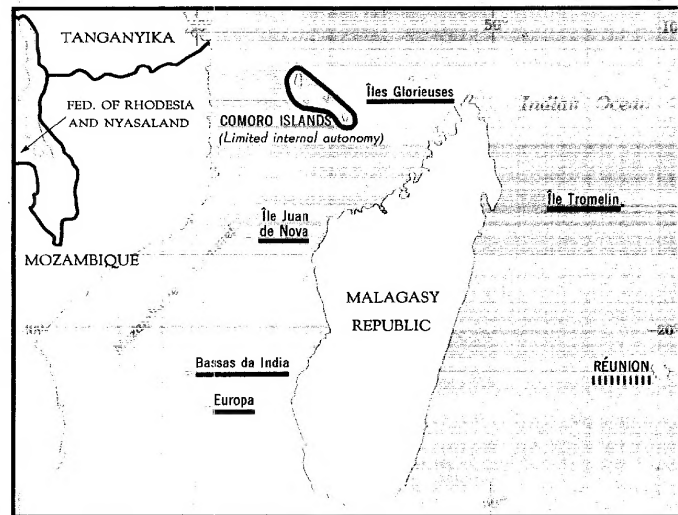
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## French Overseas Departments and Territories — October 1962

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**Map B**



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**Overseas territory**

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employment, much of which is only seasonal. Guadeloupe and Martinique each have a population of about 270,000. If, as expected, the annual rate of increase of about 3 percent continues, the total for the two islands will reach one million by 1980. Except for approximately 4,000 whites, the population is about two-thirds mulatto and one-third Negro. The whites own the plantations and the economy does not provide employment of a type commensurate with the high caliber of education. Antilleans receive under the French-administered school system.

Paris was slow to come to grips with the islands' problems. Although real efforts have been made during the past two years, significant improvements in the economy cannot be expected in the near future. The investment development plan for Martinique for 1962 amounts to \$14 million, an amount about equal to the total expended between 1958 and 1961. Investments for Guadeloupe, particularly in hotel construction, have also increased considerably. Funds for the islands are channeled into agricultural diversification, the establishment of light industries, tourist facilities, and school and road construction.

An ambitious military program for the Antilles and Guiana was inaugurated last year. It reportedly will provide \$8-10 million annually over the next 20 years to use Antillean draftees in a road-building and house-construction program, primarily to open Guiana for settlement by Antilleans. Such emigration has not had much appeal to the islanders in the past, however.

Guiana

Guiana is one of the world's least developed lands. Although it has potentially valuable forest and mineral resources, these are as yet practically untouched because of the lack of roads into the hinterland and a serious shortage of manpower. For an area somewhat smaller than Indiana, the population is about 35,000, half of whom live in Cayenne, the capital. The economy is almost totally dependent on French financial assistance; paradoxically, this permits a standard of living considerably higher than in neighboring areas. Over three-quarters of total trade is with France.

As in the Antilles, there is sentiment favoring increased autonomy although it is still a minority view. Justin Catayee, Guiana's sole deputy to the French National Assembly and leader of the Parti Socialiste Guyanais, has campaigned for a special statute providing increased local control for the department. He has sought Antillean Communist support on this issue, but his political fortunes now appear to be in decline.

Reunion

Most of the problems common to the other three departments also apply to Reunion. This island department, located about 500 miles east of the Malagasy Republic, supports a population of about 335,000 on an area of about 1,000 square miles. One-quarter to one-third of the population is European, and the rest is an extremely diverse racial mixture.

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Much of the land is unworkable, and the remainder is devoted almost entirely to sugar cane plantations--which are owned by a few families. Trade outside the franc zone is negligible. Despite French loans, technical assistance, and sugar subsidies, the already precarious economic situation appears to be worsening. Much of the population is undernourished, and civil unrest is periodic.

While the very small Communist Party on Reunion has campaigned in the past for independence for the island, it was embarrassed by a French Communist Party demand last June for independence for all four overseas departments, and disavowed the move. It was influenced toward this disavowal by the strongly adverse reception given the proposal by the islanders, who forcefully pressed their allegiance to France. The proposal may, however, have sparked the visit last month by Louis Jacquinot, French minister of state in charge of overseas departments and territories.

Outlook

While there is no popular movement for outright independence in the island departments,

population pressure on available resources is growing rapidly. During the past year or two Paris has substantially increased its financial assistance, improved long-term overall development planning, and increased the level of such social benefits as family payments and minimum wages. It is unlikely, however, that these steps will improve the economic situation soon enough to forestall departmental demands for local control over such matters as distribution of tax receipts and increased management over the French assistance funds--requests Paris would be extremely reluctant to concede.

The island departments substantiate Paris' claim to world-wide interests and are important to French prestige. While Paris may be forced to permit the political relationship to evolve gradually in the direction of autonomy, it will make some sacrifices to keep the departments within the French sphere of influence. The French public and Parliament, periodically restive over tropical product subsidization and the already considerable expenditures for the overseas departments, might complicate relations by rejecting any future bid for increased expenditures.

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